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>> Spillane: I would like to welcome everybody who is joining us at the moment. We can see lots of people joining us as I'm speaking, every few seconds a few more people, thank you for making time again to join us or if it's your first time, thank you for joining us, we hope that you get some great value out of our one hour webinar.

While we're waiting for people to come in and get into their seats, essentially, I'm going to share this link. It shares with you the link to our captioning service. That -- that link is also going to be shared in the featured feed that you can see by clicking the icon in your upper right-hand corner of the screen.

The link is to the CART service. You can cut and paste that into your browser and get a very, very good quality captioning service. There are also subtitles available and this slide shares with you the instructions as to how to access those subtitles.

There is also -- excuse me, there is also a transcript for today available from our website and everybody who registered will get an email and it will share with you the link to access the transcript and also the slides as well as the link to the video which will be posted on YouTube.

So while I'm sharing this, and people are taking note if it's important to them. I will also mention that we are sharing Small Business

Administration and FEMA disaster resources at the moment in the featured feed. My colleagues have posted links there. You can cut and paste them from the feed if you want to use them or save them for later. Those will be showing for the first half of the webinar in that featured feed. When we open the live Q&A, those links will kind of fall to the background, I suppose, as questions fill up that feed. So the first half of the webinar is the time to cut and paste those resources, if they are interesting to you. Like I said, they are SBA and FEMA disaster resources, links and a phone number. Thank you.

Moving along I will introduce Adriana Cruz, Adriana is our Executive Director of the economic development and altruism departments of the Office of the Governor, over to you, Adriana.

>> Cruz: Thank you so much, Kelly. Good afternoon, everybody. And thank you for joining us today. I'm Adriana Cruz, the Executive Director of the Texas Economic Development and Tourism Office and in the Office of Governor Greg Abbott. On behalf of Governor Abbott and the team, I want to thank you for joining us today for the governor's small business webinar. I hope that you, your businesses and families are all safe and well after the historic winter storm that we recently experienced. I appreciate that you are here with us today to get the latest information on the Paycheck Protection Program or PPP and in addition, as Kelly mentioned, we are sharing disaster recovery resources links in our featured feed. Through these

webinars our goal is to provide new information and connect you with local resources in your area so that you can find some success.

Under Governor Abbott's leadership, our office is committed to work with you to make sure that Texas continues to be ranked as the top state in the country to start a business and to be an entrepreneur.

Texas small business owners and entrepreneurs are truly the backbone of our state's economy and we want to thank you for everything that you do every day to keep our economy going.

Working together will continue the strong trajectory of economic growth in Texas. Please don't hesitate to reach out to the small business team, Kelly Spillane, Jarvis Brewer, and our business permit office Sonia Galliard if we can provide any assistance as you continue to do business in the Lone Star state. Kelly, I'll turn it back over to you.

>> *Spillane*: Great. Thank you, Adriana.

We're going to move along now and I'm going to introduce the panelists that we have here today with us. We have Winston Labbe, he's the outreach and marketing specialist for the Small Business Administration in Houston. Winston is an absolute expert. We've had him with us before, we are delighted and honored to have him with us again. We have Jaime Martinez, senior project manager at the COVID-19 Business Recovery Accelerator, the COBRA in San Antonio. And likewise we've had Jaime here several times. He has a team of people ready to help with emails or phone calls from anybody with business

resource questions or disaster recovery questions. Thank you, to Jaime. Also Walter Lambert, it's our first time having Walter, it's fantastic to have him here. He is a CARES Act business consultant from the Small Business Development Center at Midwestern State University. Thank you to our three panelists, it's fantastic to have the three of you here to answer questions and also answer the live questions which we will get into in the second half of our event.

The live Q&A feed right now is closed. If you look at it, you will see the FEMA and Small Business Administration resources published there right now. We're going to start off the event with some frequently asked questions and what we do is ask the questions that are on the tops of people's minds to take care of the things that people most want to ask.

So that then the second half of the event is more specific. So without further ado, I'm going to move along and start talking to Winston Labbe in a moment. I will just mention that when we do open the live Q&A, have a look at the featured -- yeah the featured feed. If you see a question there you want to hear the answer to, like it, we're going to prioritize the questions that have the most likes.

So thank you.

I'll let you know when we open the live Q&A.

Before I start talking to Winston, I just want to mention to the audience that the Small Business Administration did cannot give specific advice. They

recommend that borrowers visit with an accountant, attorney, a consultant or an advisor for really specific advice.

However, Winston is going to answer these two questions and he'll answer your questions later on as well. Winston, thank you for joining us.

>> *Labbe*: Sure, thank you so much for having me. Go ahead. Thank you so much for having me, it's a pleasure to be joining you guys again for this session. I would really appreciate that and on behalf of the Small Business Administration, we thank you so much.

So with the first question, what is the deadline for applying for an Economic Injury Disaster Loan? The deadline to apply is December 31st of 2021 or whenever the funds are totality depleted whichever comes first.

This time, this round, if you will, the EIDL advance is referred to as the targeted advance. And so what happens in this case is the SBA has already begun reaching out to those business owners, those individuals, who applied for an advance and received less than \$10,000. \$10,000 was the maximum. Still is the maximum. But those individuals that the SBA is contacting has to be in the low income area. That's one of the qualifications. And have 300 or less employees. So the business owners, you do not have to do anything. The SBA will contact you directly.

Then once the SBA has reached out to those individuals, those business owners regarding the advance, then the second tier, full, the sect priority, is then reaching out to those individuals who applied for an advance last

year but the funds were -- ran out before the -- their loan could be processed or their advance requests could be processed. So that's the process for the targeted EIDL advance.

I call it advance, targeted the advance.

Now, No. 2, does a borrower have to spend all of the loan proceeds from the first draw PPP loan before applying for a second?

Okay. So under this new act, the Economic Aid Act, approved and passed on December 27th, what has happened now is allowing those borrowers who received their PPP loan, a [indiscernible] PPP prior to August 9th. So August 8th of 2020 was the deadline. If they applied for their first draw during that timeframe and they have spent those funds or interested in applying for a second, then they have to meet the eligibility, the eligibility is they have to demonstrate that they did experience a reduction in gross receipts or revenue in 2020 compared to 2019. Now, there are more steps to that because you have to compare quarter to quarter, like quarters. So, for instance, you may have to compare the fourth quarter of 2019 to the fourth quarter of 2020. It could be the first quarter versus first. So there's steps you have to follow to demonstrate that you did experience a reduction of at least 25%. So that's one of the requirements.

If you meet the requirement, then you can apply for the second. Now, going back to that part where it mentions loan proceeds. If you have not spent all of the loan proceeds from the first draw but let's say you are close

to spending all of those loan proceeds, and if you qualify or you are eligible to apply for the second, you have to either spend all of the loan proceeds or either share with -- communicate to the lender that you will spend or use all of the loan proceeds before they disburse the second. So you apply for the second, but the lender cannot book that loan and disburse those funds from the second PPP loan until you spend all of the funds from the first.

Okay?

>> *Spillane:* Okay, super. Winston, thank you for that, we will be hearing from Winston later on in the second half of the event. Thank you.

>> *Labbe:* Sure.

>> *Spillane:* I'm going to move along and introduce Jaime Martinez. Jaime, thank you for joining us again.

>> *Martinez:* Yes. Thank you, Kelly, I'm happy to be here again with you all today and answer some of your questions. So thank you.

>> *Spillane:* Great, we'll kick off with this next question. The SBA has created a special timeframe for the very smallest businesses to apply for PPP right now. Can you explain this to us?

>> *Martinez:* Yes. So really due to the fact that many businesses in the first couple rounds of the PPP last year did not take advantage of the -- of the smallest of business -- can be one employee, sole proprietor, independent contractor were just not able to at the time, but many businesses with three, four, five employees, which there are many of them throughout the state, not

just in San Antonio, to be able to give them the opportunity to, you know, an exclusive time, that the business has to have -- the small business has to have under 20 employees.

And right now, the clock is running out. So the deadline for these businesses with fewer than 20 employees, they have to apply with their financial institution before March the 9th.

All other -- after that fact, after the fact, of course, they can still apply, but any other businesses after March 9th can apply either the first draw or the -- or those businesses that have already taken advantage, whether it was a few months ago or a year ago, last year, you know, have until March 31st.

So there are a couple of -- of crucial deadlines that are coming up.

February blew by, so March is already well on its way. So I think those are some things to take into consideration for those in attendance to take advantage of.

>> *Spillane*: Excellent. It's a great opportunity for the smaller businesses to be prioritized. Hopefully we will see lots and lots of small businesses getting access to that PPP funding. With that in mind, the Small Business Administration has removed some access restrictions allowing more people, more businesses to apply. Can you tell us a bit about these changes?

>> *Martinez*: Yes, thank you, Kelly. During this particular time between now and until March 9th, the small businesses, this exclusive time

for the businesses under 20 employees, those that have had issues with or currently delinquent on the federally backed student loans, can apply. Normally they would not be able to, that's something that's restrictive through SBA so they would not be able to. Also those -- those businesses that the owners that had issues with -- well, that have committed a felony in the past, are able to apply.

Now, the one felony that the SBA is allowing -- is not allowing, ineligible, are convictions, felony convictions related to fraud, bribery, things like that.

And so that would be ineligible. So everything else is open at this particular time.

Again, the clock is ticking and March 9th is coming up.

Also, to take into consideration with some of the changes that the PPP has undergone, again these businesses that are eligible, sole proprietors are able to apply right now. Independent contractors, in general self-employed persons can apply for the PPP.

So, again, March 9th is coming up and even -- so March 9th as well as the time, which is -- would be 5:00 p.m. Eastern Standard Time. Is the exact time that the cutoff for those applications, Kelly.

>> *Spillane*: Excellent. Great. That's fantastic information, thank you, Jaime. I'm going to move along now and announce that the live Q&A feed is now open.

And so our audience can begin to ask their questions. If you look in the upper right hand corner, you will see this speech bubble icon with a question mark on it. Click on that and you will see two feeds, one is the feed that you can write your question in, the other is published or featured feed where our colleagues are going to publish some of the questions that are broadly relevant that we will field to our panel members halfway through this event.

In many cases, my colleagues will actually respond directly to the questioner. So look out in that feed that you typed your question in because you may well get a direct answer from one of our colleagues.

So in fact in many cases we have answered up to 150 questions directly during our one-hour event. So do keep an eye on that. Also look at the featured feed. If you see a question that you want the answer to, please like it and we will prioritize those questions.

So moving along. I would like to welcome Walter Lambert, thank you for joining us, Walter.

>> *Lambert*: Appreciate it, thanks for the invite.

>> *Spillane*: I would like to ask you this question. Will a borrower's PPP loan forgiveness amount be reduced if the borrower laid off an employee, offered to rehire but then that employee declined. I know it's a complex question but we get asked that a lot. Can you tell us the answer to that?

>> *Lambert*: The short answer is no, it's not going to count against

you. It's not going to reduce your forgiveness amount. But it really determines like did you make a good faith, you know, written offer to this employee. So it really all comes down to your documentation.

You know, was it at the same salary or wages that it was before. And if the employee did reject that offer, again, you need to document that. And so if you have got all of your paperwork there together, which again is common with PPP, all in your documentation, that's not going to count against you.

However, you do need to know that you are required to inform your applicable state unemployment insurance offer, if you did make that offer to an employee and they did reject it within 30 days of that rejection.

>> *Spillane*: Great information. Like I said, we do get asked that quite a bit. The final frequently asked questions, Walter, do I need to provide my documentation with my second draw PPP application, showing my 25% reduction in gross receipts?

>> *Lambert*: Yes. So for your second draw PPP application, you know, one of the eligibility requirements mentioned before is that you can show that 25% reduction in gross receipts.

If you have a loan that is larger than \$150,000, so one of the larger PPP loans, you are going to need to submit your documentation to prove that when you apply. You know, that could be your tax forms, quarterly financial statements, bank statement, something like that. So, again, working with your lender on it.

If you have a -- a principal of \$150,000 or less, you do not need to show that -- that reduction in gross receipts when you apply;; however, you will need to show that or prove that, you know, when you ask for forgiveness.

So, you know, some general advice on that is if your -- if you are at or near that 25% and you are just kind of looking at loose numbers, definitely dig in and be certain that you are eligible. Keep that documentation in hand. Put it in a folder and set it aside so when you do request forgiveness on that loan you already have it there together.

>> *Spillane*: Excellent, Walter, thank you so much. Great advice. Now we have come to the end of the frequently asked questions section. I will pause again to remind people to take a look at the featured feed. If you see questions that you want to see the answer to or hear the answer to, can you like it and it will prioritize that question. Go ahead and ask your questions directly as well and keep an eye out to see whether my colleagues answer you directly. Without further ado, I will pass the reins to my colleague Jarvis Brewer who is going to manage the live Q&A section. Thank you.

>> *Brewer*: Thank you so much, Kelly. Before we begin, I see that our colleague Michael Tragor has submitted questions that many of our attendees like. We will go in somewhat of an order. I know all three of our panelists today are more qualified to answer any of these questions. We will keep in that order of Winston, Jaime, Walter. But at any time to the panelists if

you want to add anything additional to any question that wasn't directed to you, definitely feel free to do so.

To our attendees -- our attendees continue to submit these questions as well as liking questions submitted by your fellow attendees. That will ensure that the most relevant questions are asked to our panelists.

I will again with the questions submitted by Michael. The first one, I will direct this again to Winston, can someone apply for a second draw PPP loan even if they have not received approval for the first PPP?

So in this scenario, they are wanting to know can I apply for the second draw without having received the first draw? I think that's where the clarification needs to be.

>> *Labbe:* Yes. I think what we are trying to ask is can they apply for a second draw PPP loan even if they haven't received forgiveness for the first draw PPP loan. And they can.

What happens with that, not to confuse anyone, so to answer your question, yes, if they have applied for forgiveness and haven't received forgiveness yet, they can go ahead and apply for the second draw PPP.

Now, when they apply for the second draw, let's say they have applied for forgiveness but it hasn't been processed or approved yet, by the SBA, then the SBA receives the second draw request, they will begin -- we, the SBA will begin processing it, but if there's anything in that forgiveness that raises a red flag, it could cause that second draw to be paused or placed

on hold until it's resolved on the first draw of forgiveness. Okay?

>> *Brewer:* Thank you for that, Winston. I do want to take this opportunity to possibly explain what is the difference between first draw and second draw. So could you explain that the intention of, if you haven't applied or received the first draw, that you are not technically applying for the second draw?

>> *Labbe:* So let's assume that someone applied for a PPP loan. Right? We'll just say the PPP. Prior to August 9th of 2020.

That loan is considered a first draw, okay? If someone applied for the PPP prior to August 9th because the deadline was August 8th, 2020, it's referred to as the first draw. Now that individual, if they meet the eligibility for the second draw, demonstrating that they have experienced at least a 25% reduction in gross receipts or revenue, and have no more than 300 employees, then they are eligible to apply for the second PPP which is considered the second draw.

So that's what that refers to. Now, let's say someone did not apply for the PPP last year. And then as of December 27th, when the -- when the Economic Aid Act was passed, now they applied for PPP for the first time, that's considered a first draw. Okay?

[Multiple voices].

>> *Brewer:* Yes, that was absolutely the clarification that I was looking for, just to explain again to our attendees, if you have never applied for

the first draw before, you are still quote unquote applying for that first time first draw PPP.

>> *Labbe:* Correct.

>> *Brewer:* Thank you so much for that, Winston. This next question for Jaime. Submitted by Michael Trakor, the question is: Will a reduction in FTEs, full time equivalent, affect the forgiveness amount if the PPP loan is less than \$50,000?

>> *Martínez:* Well, it wouldn't again -- as Walter was discussing earlier, he gave a good explanation of it, that, you know, if they have made every attempt -- documented attempt to retain an employee, whether they are trying to retain them or if they have to dismiss them and they document it, then they would not, you know, it would not go against their loan forgiveness when they fill out the application. I understand the amount. But again documentation is key for every one of the SBA disaster loans, not just the PPP. But it needs to be documented.

A very extreme case that came up, through our program with one of our advisors, not answering email, not responding to emails to try to get them to come back into work or dismissing them. But they were able to prove to the bank when it came to loan forgiveness time when it comes to emails. Also phone conversations, make sure that there's somebody else in the room when you were there, if you unfortunately have to dismiss your employees. I realize this is a little bit expanded more than this attendee asked. But

again these are frequent cases that come up through our program.

>> *Brewer:* Absolutely. [Multiple voices].

>> *Lambert:* If I would add, there's a couple of other FTE reduction safe harbors that could apply to your business. One of those is impact -- has impacted the restaurant industry for sure. If you weren't able to open because you were complying with some guidance from the CDC or local municipality or something like that, there is a safe harbor there that might apply for you and then there's another one about -- about -- if you are not able to -- to hit that employee count by the end of your covered period, if you were able to rehire them by the end of the year, I think for second draw loans, I believe that as long as you are able to rehire that person by the end of your covered period, you know, in 2021, then you can be covered under that safe harbor. But those are extreme circumstances.

>> *Labbe:* Can I add a comment?

>> *Brewer:* Absolutely.

>> *Labbe:* I hate to disagree with Jaime on something. On that question, if the PPP loan is \$50,000 or less, then the requirement to document any reductions in FTEs or excess reductions in salary and wages is waived. So they don't have to do anything. But if it's \$50,000 or less. The only caveat is as long as they do not have a first draw or second draw loan -- I'm sorry, any affiliates with first or second draw loans totaling \$2 million or greater. So if it's a loan of \$50,000 or less and the borrower has no

affiliates with PPP loans totaling \$2 million or greater, then the requirement for the FTE reduction and salary hourly wages is waived. They don't have to do anything on that.

>> *Brewer:* Thank you, Winston for that clarification.

I'm sorry?

>> *Labbe:* That was it.

>> *Brewer:* Okay. With that, I have written down a few words that I wanted to reiterate. Some words that have been said thus far from, you know, this point into our live Q&A as well as back in our FAQs.

Some words being the safe harbor, documentation, and prove. Really that word document has been used over and over and we're probably going to use it a little bit more throughout this hour. That's very key. It's going to be important for going through this entire process, whether you are applying or you are at the forgiveness stage. What you can prove, what you can document is going to be very essential throughout this entire process of getting these SBA funds.

I know that Walter mentioned this in the question related to -- it was kind of along the lines of the FTE. I believe the question about I have an employee who has refused to come back, so that documentation was important there.

So here where you can show your reduction, that documentation is important. When you are applying for forgiveness, that documentation

of -- of your losses from one quarter to another, that's important. So documentation is extremely important throughout this entire process. Moving along, I'm going to stick with you, Walter, for this next question.

So this question was submitted, is there another round of the SBA loans, not PPP related? So will there be another round in the future after this ends? What can you tell me that you know about upcoming.

>> *Lambert:* I'm looking for my crystal ball. I do not see it here with me today.

>> *Brewer:* Well, you -- [overlapping speakers]

>> *Lambert:* Nothing has been announced yet that's going to require an act of congress to see if we are going to see any other changes. But, you know, we've talked about the SBA.gov website several times. We can get information on this and a lot of the FAQs that we already went over. If there are changes to these programs further, if there are new rounds, where do you go? SBA.gov/PPP. They have done a really great job over the past couple of months in organizing that into a way that's easy for you to find what you are looking for, one for first draw, second draw, forgiveness and if you are -- if you are really nerdy you can dive into those interim final rules that we on the panel are reading. But that's all there for ya.

>> *Brewer:* Thank you, sir. I knew that was a crystal ball question when I threw it your way. Because of the rotation it was a question that came to you, but I knew it was probably a question for Winston in case there

was something that you may have heard in the pipeline or if you have any kind of expertise on this being from the SBA?

>> *Labbe:* Referring to that question that you asked Walter?

>> *Brewer:* Correct. Anything that may be coming other than the PPP to help businesses? With.

>> *Labbe:* Looking through my crystal ball just like Walter, you know. [Laughter], we haven't heard anything at this time, Jarvis. We are listening, but we haven't heard anything.

>> *Brewer:* Absolutely. Again, I will take this opportunity to mention there are programs that existed before COVID that may be applicable to -- to business owners and their situation. So the SBA has their normal suite of programs that existed before COVID. There are CDFIs, Community Development Financial Institutions, which are here to help many businesses across the state of Texas.

So I just want to throw that out there, it doesn't have to be specific to coronavirus or to CARES Act or whatnot to look for assistance, there are a lot of programs that existed before COVID and will exist well after COVID is gone.

>> *Labbe:* That's true.

>> *Brewer:* Moving right along, this question is actually for you, Winston. The question is -- I believe we hit on this in our FAQs. Do 1099 workers qualify as part of the 60% requirement for use I can't think of the

PPP loans?

>> *Labbe:* The 1099 can apply for the PPP separate from the owner of the business, but they still have to -- [indiscernible] loan proceeds, at least 60% on payroll or income. And no more than 40% on non-payroll costs. So they still have to follow those guidelines.

>> *Brewer:* Just to clarify, this 1099 person would be applying separately from the business owner?

>> *Labbe:* Right. But they have to spend -- yeah. At least 60% on their income, their salaries, whatever they are paying themselves, they still have to follow that guideline.

>> *Brewer:* Perfect, thank you sir. [Multiple voices]

>> The reason that I keep saying at least, you spend 60% or more on your salary or income or payroll in this case I realize that it's 1099, the chances for being forgiven 100% are great versus I received questions quite often where someone says what if I don't spend 60%, should I still apply for forgiveness. I know that's not part of your question. We encourage everyone to please apply for forgiveness. You will be forgiven for some amount. Do not just not apply. Okay? So apply anyway, regardless of the percentages.

>> *Brewer:* Absolutely, thank you again for that clarification.

All right. So this next question I believe it is -- we are to Jaime now.

Nick submitted this question. And it's about when the business is

established. The question is: Often I read that the criteria for applying for several of these services your businesses need to be in business in 2019.

What about businesses that were formed and in business in 2020? So when is the cutoff date for being eligible for the PPP?

>> *Martínez:* February the 15th of 2020 would be for if they are talking about the -- if we're talking about the PPP.

So, you know, that would be the deadline for that.

>> *Brewer:* Very straight forward question. This was asked on a previous question or excuse me a previous webinar. So February 16th is too late. So to be eligible for this funds, February 15th of 2020 and before.

>> *Martínez:* Correct.

>> *Brewer:* All right. Next question will be to Walter. The SBA has changed the rule to allow the use or allow us to use revenue versus net profit. Is this rule true for S Corps as well or will the structure of our business change?

>> *Lambert:* When I checked the SBA website this morning I didn't see any clarification of those rules yet. It should be coming soon. This is just what I was expecting is that this would likely be people who file a schedule C instead or something like a farmer with a schedule F. So again just stay tuned to that SBA website for changes on that. You know, subscribe to emails.

One more tip on businesses that were formed after February 15th.

If you purchased a business, there's a potential there, if you purchased the business that was in existence prior to that deadline, that you could be eligible for a PPP loan, we have seen that come up a couple of times here, be assure to work with your lender on that, it's going to require documentation and proof of those payroll costs from 2019 before you actually owned the business. But that's something that might apply to people that are listening.

>> *Brewer:* Great point. I hadn't even considered that. So what Walter is saying if the business existed but it was in different ownership, you may be eligible for funds. That's a great point to point out. Thank you for that.

>> *Labbe:* I want to jump out there on a limb that I probably shouldn't. It's not in writing yet. As Walter said we haven't received final guidance, when that final guidance does come what I have heard in previous discussions with headquarters, Walter is right on points, those who file a schedule C, the way it is now they calculate their loan amount based on Line 31. What I'm hearing, it's going to change to Line 7 of the schedule C. So it gives the borrower an opportunity to apply for a larger loan amount. Again, it's not final yet. But that's what we are hearing. Okay?

>> *Brewer:* Thank you for that insider information, sir.

All right. Moving right along, before I go to the next question, I do want to encourage our audience, our attendees to continue to submit

questions. We're going through these pretty quick and I know our behind the scenes crew, Michael and [indiscernible] are answering many of them directly. But continue to submit those in so we can get as many questions answered to the wide audience and not just directly.

The next question, I believe we are back around to you, Winston. The question is: When considering the 25% reduction in revenue, should -- excuse me, should receipt of the first round PPP funding be factored out?

So I have received or I'm doing my calculations of 25% reduction, should I exclude the first round PPP funding from that?

>> *Labbe*: Yeah, that's a good question. So the forgivable loan, the first draw, do not include that in the gross receipts.

>> *Brewer*: Very straightforward, thank you for that, sir. All right, Jaime, back to you. Craig has submitted somewhat of a longer question. I know that here we're talking about the PPP. And along the sides of the PPP we have the EIDL and the shuttered venues -- shuttered venues operators don't. This is a question from Craig. You cannot apply for the PPP and the SVOG at the same time. With the PPP ending March the 31st, the delays in the SVOG portal for ebb applications opening may make it impossible to apply for the PPP.

If you are turned down for the SVOG. Is there any work around?

So I will reword that.

We're coming up on the end of March, less than 30 days away from that.

I'm wondering if I should apply for the PPP in the SVOG because the understanding is that you can't receive both.

What kind of advice do you have for someone in this scenario where they are working against a deadline that they have no control over?

>> *Martínez:* Yes, we've been discussing this particular case for the past couple of weeks in anticipation of when the Shuttered Venues Operators Grant is going to be released. We'll be having a webinar on the SVOG very soon. Yes, you can't -- you can't have both. You can't have both. What we have been advising our clients is don't wait. Don't wait on, you know, on making payroll. Don't wait on keeping your operations open and meeting the obligations of your business.

One being, most importantly, your employees.

And so we are discussing with them to go ahead and apply because we do not have a -- a definite date on the SVOG. We have some great information that's been -- coming from SBA. And reference to it. A lot of details on how to apply. All that good stuff. And the taking into consideration your financials, things like that.

But, you know, again it's not out there. And if you are running short on payroll and take advantage of the loan forgiveness, we are recommending them to do it.

The Economic Disaster Loan is still available and will be through the end of this year. But to all of the attendees, not just Mr. Craig that, you

know, you can't -- you have to be careful that you can't be using the EIDL and the PPP for -- both for payroll.

You know, and stick to payroll for the PPP, what it was designed for. And of course, you know, as Winston mentioned a couple of times, the 60%. At least 60% has to be expended on payroll costs. Eligible payroll costs. Of course you can use it for 100%, that's what it was intended for. And the EIDL for other operating costs, you know, for what you need in your business to keep it operational.

You know, workaround. Well, there are other non-disaster, you know, related funding opportunities that are out there. Some, you know, municipalities, counties, throughout the State of Texas are still offering, you know, grants. Very few, but, you know, there's the CARES money has probably run out and those -- in those -- in some of those counties and municipalities, but I do recommend that you contact the economic development departments in your county and city governments for assistance. In our funding page, we have a lot of other funding sources, there's also microlenders that are out there. They can help you with fund, people fund, things like that. They are out there, they can assist you to meet all of your funding needs.

I hope that's kind of what you meant by workaround. But again -- yeah. I think those are some of the opportunities that are currently available.

>> *Brewer*: You are absolutely right, Jaime. There's no one answer for

that. Again working against these deadlines, individual choices that these business owners are going to have to make based on which program they feel is the most -- or the best fit for their situation. And then also considering that those -- those timelines. Thank you for that, sir.

>> *Martínez*: Thank you.

>> *Labbe*: Jaime that was a good point. Microlenders typically are more flexible in underwriting of loans as far as credit scores, cash flow, et cetera.

So Jaime that's a good point as far as microlenders. I wanted to say that.

>> *Martínez*: Yeah, sorry, again -- thanks, Winston, you reminded me. As far as the lienancy and the limits. You may not need a \$50,000 loan or even a \$10,000 loan. Again financial institutions, whether they are credit unions, bigger banks, [indiscernible] banks, could have a minimum amount to borrow from them. Remember microlenders could probably lend you a thousand dollars and that's what you need to get you through the next three months, next 90 days, to continue to weather the storm. It just kind of occurred to me with what Winston said, thank you.

>> *Brewer*: Thank you, gentlemen. All right. We'll move right along with these questions.

We have a question here and I believe we are now to Walter and this question it's about a certain dollar amount being automatically forgiven.

The question is: I have not yet received forgiveness for my PPP 1 loan, first draw. My lender said they are waiting to hear from the SBA as they said loans below a certain dollar amount would be automatically forgiven. Is there guidance from the SBA in that regard? Is there a certain dollar amount that will be automatically forgiven about the SBA?

>> *Lambert:* I have not seen an automatic forgiveness for any amount. You know, so still if you are wanting to wait to apply for forgiveness, that's fine. There's different forms that you would use based off of the dollar value that you have.

But the forgiveness process, if your documentation, has been good throughout the process, the forgiveness step is straightforward. You submit to the lender, lender looks over it, back to the SBA, back down again to you for your approved forgiveness amount. But nothing on an automatic forgiveness.

>> *Brewer:* Yeah, absolutely. That was something that I wasn't aware of. I was actually going to throw that question to Winston in case -- not if that there was necessarily a dollar amount for just straight automatic forgiveness, but if is there along the lines to some other kind of reconsideration if the loan amount or the forgiveness amount is below a certain value. Do you know anything about that, Winston?

>> *Labbe:* Walter is right. There's not an automatic forgiveness. What that person is maybe thinking about is earlier is mentioned the loan

amount of \$50,000 or less. I mentioned how they do not have to -- they are not required to document any FTE reductions and salary, hourly wages, right?

Well, they still have to demonstrate that they spend the money based on eligible payroll and non-payroll. So when they complete their application, I say document. Not necessarily document, show it to the lender, but they still have to when they complete their application, there's a category that asks how much was spent on payroll costs. On the application. 3508 S. Okay.

To the right it asks total forgiveness amount. What the SBA is going to look at, did you spend at least 60% of that on eligible payroll costs. It's not automatic. But it's simplified because they do not have to provide any documentation. Loans \$50,000 and less that do not have those affiliates with the loans totaling 2 million and greater.

Then that same application again, I think it kind of may cause a little confusion to the public because it's the 3508 S, and any loan amount \$150,000 or less the applicant or the borrower uses that application and they do not have to submit any supporting documentation at the time that they apply for forgiveness. But they still have to do certain calculations and hold on to that documentation if it's requested later.

So I would just encourage the public to log into those forgiveness webinars. I do one -- not that I'm trying to promote it, but we do one twice a week from the Houston office on loan forgiveness and we go into -- I go

into more depth in terms of, you know, the dollar amounts, what's needed at the time you apply, what you need to hold on to in case you are audited by the SBA later. So this goes into a lot of detail. I don't want to bore you right now with all of that.

>> Those forgiveness deadlines are coming up for some people who received round one PPP loans very early in the 2020 process. So with that, you know, with all of the changes that we've had for PPP, you have up to 10 months to request for forgiveness after the end of your covered period. So again recent changes now that could be your covered period could be anywhere between eight and 24 weeks. If you do the math on that, I think it's April or May or something that those first PPP loans would be running up on that forgiveness deadline.

>> *Labbe:* Correct. Good point.

>> *Martinez:* Jarvis, if I could also mention one thing, you know, that -- that if, you know, again any of these businesses that are attending today, you know, want to already, you know, they are coming up on loan forgiveness and they want to foresee some of the requirements on the different applications that are out there, they can download them to kind of start calculating, especially if they have employees in the 3508, you know, on what if scenarios. If there's -- if there's an issue. Don't wait to apply.

Do not wait, you know, to apply. They will get -- don't get closer at month 10. Apply -- you are expended it, you are done, it helped you,

provided the economic relief that it was intended to. But don't wait any longer than you have to. And download the applications on the SBA websites so that you can actually put, you know, pencil to paper and move forward.

>> *Brewer:* Well, I see we have all three of you to give some additional comments. So thanks each of you for that response. I'm pretty sure our attendee who asked that question got exactly what they needed from those answers so thank you again.

We will move right along. I lost track of where we were in our rotation since each one of you did answer. I believe that was originally to Walter. Or no, excuse me originally to Winston, which puts it now at Jaime. I am throw this back to you. From Diane Mac. The question is: Has the formula been released to use the gross income for PPP amount instead of net income as before for sole proprietors, do you still use the 2019 tax info or do we use the 2020 tax info now?

>> *Martinez:* I was reading this earlier. And maybe Walter or Winston can help me on this. You can use the 2019 information. Tax information. That, you know, on your -- what was this for a -- for the -- I -- okay, for I would imagine for a new application. You can use the 2019 tax information. You are able to use that. I was reading this a little bit earlier as well. So that is possible.

>> *Brewer:* Okay. So they would use that information comparing their information from what happened in 2019, I believe, Winston hit on this

earlier, quarter to quarter. Compare that 2019 taxes to what they did in 2020 and their reduction.

>> *Labbe:* If I could jump in, Jaime is correct. There's so much information out there that can help the business owners in terms of completing this application. It's out there on the SBA's website where they can access the actual documents, it gives them different steps to use. Depending on how long -- if you are talking about a 25% reduction calculation, it gives the applicant or the business owner a different steps, if you will, based on how long they have been in operation. If they have been in operation the entire year of 2019, then they have the option of comparing certain quarters of say first quarter of 2019 to first quarter of -- pick and choose or second to second, third to third.

However, let's say they were only in operation the third and fourth quarters of 2019, now if I'm going by memory, they can choose one of the quarters out of those two, to compare to any quarter in 2020. Again I'm kind of going by memory, but the documentation out there on the SBA website is there for that reason to help the businesses complete that calculation correctly. [Multiple voices].

>> *Lambert:* You use pretty much what you have. That document is called how to calculate revenue reduction and maximum loan amounts for second draw PPP loans. I love that document.

Because.

>> *Labbe:* I do, too.

>> *Lambert:* It goes through. You can scroll until you find what your entity type is, whether or not you have employees. It will give you a step-by-step process on that.

>> *Labbe:* Exactly, exactly.

>> *Martinez:* I just found it, looking at it right now. Diane, get on there, it's on there and does give the great step-by-step information. Yep.

>> *Brewer:* Absolutely. Could someone share that once again share that link just so it's recorded for our attendees and maybe someone who is listening may want to type it into their web browser. Someone just share that website real quick.

>> *Labbe:* Jaime, are you doing that? Did you have it?

>> *Martinez:* Do you want the first draw and the second draw?

>> *Brewer:* Yes, yes please.

>> *Labbe:* Not to get off track, but we receive -- I'm sure Walter does and Jaime, we receive tons of questions regarding calculating that reduction, the 25%. What to compare it to in terms of quarter to quarters. I've had some -- I've actually had to email SBA headquarters because it wasn't included on the document what they were asking.

But the document is very detailed, very helpful, so again I know that I'm being redundant, but I would encourage anyone, everyone, if they are applying for a second or want to apply for the second draw, look at that

document, the one on how to maximize, Walter spoke to it earlier, maximize the calculation and how to do the calculation for the reduction. 25%.

>> *Brewer*: Wonderful. Thank you again, thank you to each one of our panelists for each one of you contributing to answering the question.

And hopefully we can get that link to our attendees, I think that it's going to be extremely helpful to each and everyone here. We will move right along, in the last 10 minutes of our hour event. I want to do kind of a rapid fire get to as many of these final questions as I can.

This next question, looks like a straightforward one, I'm going to throw it to Walter. The question is: what is the limit for the EIDL?

So that's all the question says.

>> \$150,000.

>> *Brewer*: I was going to say they may mean dollar amount, but could also meantime frame as well.

>> *Lambert*: Correct. The EIDL program for COVID is open until the end of this year. That was mentioned earlier. The dollar amount limit again this is for your working capital, supposed to be up to six months working capital, \$150,000. Normally, under different just disaster loan programs that could be as high as two million. But for this, it's 150. And you -- if you are applying for an EIDL loan or we just call it the EIDL and you don't accept that full amount, you can go back and request an increase.

So if you did get an EIDL loan in 2020, you spent some of those funds

but now outlook is thinking well maybe I need to get my hands on more working capital, you could request an increase. There's a specific process for that, as well as for if you apply for an EIDL loan and are declined. There is a reconsideration process. Again you can learn more about it at the SBA website or talk to an SBDC and we can hold your hand through that process.

>> *Brewer:* This is a great time for me to mention in our final slides about to be shown here in a second as we close out. We do have another link where you can locate your nearest SBDC office. They are all across the State of Texas. We have two representatives here from SBDC offices. So as much as they would be willing to help any of you Texans, we have a great cross-section of the State of Texas represented in our audience, there may be an office right in your own back yard which can -- eventually will be to a point they can sit down and go through your individual, specific scenarios and provide some kind of a free consultation in most cases to assist you. Or you can schedule a meeting. So SBDCs in my opinion are greatly underutilized and definitely look up your closer SBDC and they should be someone that you are very well acquainted with, even beyond coronavirus relief.

To close this out, we're going to get to a couple more questions. I was just notified both of the links have been posted in the featured feed. If you want to grab that information that we were just discussing or copy and paste, they have been posted.

All right. So next question, this question that I believe we are back to Winston now, the question is for this exclusive period, are the qualifications second draw or for second draw still the same? So I think I'm assuming that they mean in this sphere where it's 20 employees or fewer and I'm applying for second draw, are the qualifications for me to qualify for the second draw the same for the first draw?

>> *Labbe:* In terms of that question, if they are asking -- I heard you say qualifications, but you also mention 20 employees, the less than 20 employee process, if you will, is only until March the 9th. Okay? But anyone can still apply, but just means that the SBA is going to process those first. Then as of March 9th, when that date hit, they start processing all of the other ones that come through. As far as the eligibility and qualifications for the second draw PPP, it's right there on the application for them to read that. It's pretty straightforward.

You know, they have to meet the 25 percent reduction in revenue. And they have to have no more than 300 employees. So those are things that -- those are the eligibility requirements, if you will. The maximum is \$2 million.

And as far as the -- the forgiveness and I know that you didn't ask that question, the forgiveness for the second draw is the same as the first in terms of spending the money in the manner in which you are supposed to. These 60% on eligible payroll and no more than 40% on non-payroll. Walter

spoke to the covered period. How that's been extended in terms of the safe harbors and the FTE reduction exceptions. So there are two safe harbors, Walter spoke to and he touched on the exceptions. There are six FTE reduction exceptions.

So those are in place to help the borrower in the event that when they are getting ready to apply for forgiveness, and they have, say, reductions in FTEs, or -- FTEs, they can look at those two safe harbors and those six FTE exceptions, what I encourage them to do is to try to apply to one of those, if they can use it, that will mitigate the reduction in FTEs. As far as qualification, eligibility, not to be redundant, 25% reduction in revenue, number one, no more than 300 employees.

>> *Brewer:* Thank you, sir, thank you for reiterating that. Yes, I was a little thrown off because it does say for this exclusive period, I assume they meant the exclusive period as far as the priority that the 20 employees -- 20 employees or less that is happening right now before March the 9th.

>> *Labbe:* Those applications are already in place, they are there. The SBA is not going to kick them out. What's happening right now is the congress realized, President Biden realized, SBA headquarters realized that the -- and Jaime speak to this as well -- the very small mom and pop businesses want to give them a chance to get those deals processed. That's why that exclusive period is in place. But all of the applications that are there, they will

be processed.

And all of the applications that are submitted as of no later than March 31st, will be processed.

>> *Brewer*: All right. Thank you very much, sir. We have time for one final question. And I believe we are back around to Jaime. Jaime this question comes from Ed. The question relates to sole proprietorships again. When will sole proprietors who have already received and used a PPP loan be able to access PPP funding using the new calculation based on gross receipts, Line 7, in place of the previous calculation that used net receipts, which was Line 31.

In this scenario, I'm assuming Ed, he got first draw PPP, a sole proprietor, now he wants to apply a second draw as a sole proprietor, he wants to use different calculations but he's wondering when will -- when will he be able to access that funding?

So would he qualify for someone in this March 9th timeframe, Jaime?

>> *Martínez*: Thank you. So if -- okay. If he -- if he or anybody has not -- well, meets the criteria right now for the -- this exclusive time of under -- you know, of the fewer than 20 employees, you know, then Ed can apply now. The application is already there.

If Ed does not meet the qualifications, right now, he -- as Winston mentioned, he can still apply, but he will not be given priority processing until after March 9th. Then through the 31st.

But the application is already -- it's already there. And, you know, the -- the client to the bank's portal, if that's how they are set up, he can do that right now as well. Just go through the motions in applying and filling out the application.

>> *Brewer:* Absolutely. So Ed you can go right away and begin your application process.

>> Don't wait.

>> *Brewer:* Absolutely, absolutely. So we are right at the 2:00 hour. I know we did not get to everyone's questions. We got to as many as we could. But I do know, also, that our colleagues behind the scenes got to many more than we addressed here live. So thank you again to Michael and [indiscernible] doing that. I do also know that I want to point out they did post the link for the SBDC finder so that you can connect with SBDC office in your neighborhood in your community or nearby.

Thank you again to each of our panelists. With this, I will go ahead and close the event and hand it over to my colleague Kelly.

>> *Spillane:* Great, thank you, Jarvis and thank you to your panelists and our colleagues back of house to answering so many questions. As Jarvis said we didn't get to everybody's question. I'm about to share resource slides that have links, phone numbers, emails to resources that can help you answer those questions. In fact many of the questions were quite specific to somebody's unique circumstances, those questions are best asked directly

to SBDCs or SCORE and the other links that we're going to share with you shortly.

Right before I share that information with you, I'm going to take a moment to just share this with you. The office of the governor's small business team has been working hard to create what we call the small business resource portal. It's going to be accessible from our web pages. We're going to promote it and share information about it in advance. So you will probably get an email about it because you have registered for one of our events. The portal will be an easy facility for you to answer a couple of questions about what you are looking to find out, press a button and then resources specific to what you have just answered will be returned to you. You can look at them online, you can email them to yourself or you can print them out.

So we are quite excited, we worked very hard on it. It is not all things to all people. It's not going to have every single resource in the world on it. But it's going to have a lot of good stuff and probably everything that you need.

So just wanted to raise awareness of that. We're going to launch it, make it live, make it available on Monday March 15th. You're going to be hearing about that hopefully from us directly once we are ready to really share that link. Moving along then to resource slides.

This first one is information pertinent to the governor's small

business team. Information that we have on our web pages. You should be able to find answers to the questions that didn't get answered but much more importantly you are going to get direct answers from a person from some of these links here. Small Business Administration, Small Business Development Center, specifically email and phone number for Jaime Martinez's organization which is the COBRA, COVID-19 Business Recovery Accelerator in San Antonio, but they will help people statewide. You can also find your SBDC nearest you. The link is here and it was also published in the featured feed from this event. SCORE, a free national fabulous mentoring organization will also help you and can also provide answers, there's a link to find your SCORE chapter nearest you right there. Like I said this event was also making available information on disaster resources and those links are here on this slide as well. SBA disaster resources as well as FEMA. That's all that we have to say and share today. Thank you for making an hour. I know that we have gone over our time. I do know we didn't get to answer everybody's questions. This link, these emails and phone numbers can help you get that specific answer for you. Without further ado, I'm going to close this event and thank you all so much for joining us. Wishing you the best and onwards and upwards as the Texas economy gathers momentum and grows, looking forward to a great 2021, thank you.

[End of webinar].